Message Text

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ACTION COME-00

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 INT-05 GSA-01 NSC-05 SS-15

STR-04 CEA-01 H-02 L-02 PA-01 PRS-01 USIA-06 FEA-01

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R 020901Z MAY 75
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 9863

LIMITED OFFICIAL USE SECTION 1 OF 2 SEOUL 3154

E.O. 11652: N/A
TAGS: EIND, ETRD, XG, KS
SUBJ: REQUEST FOR POST ASSESSMENTS OF STEEL MARKET CONDITIONS

REF: A. STATE 095936; B. SEOUL 7983; C. SEOUL 1664

SUMMARY: KOREAN IRON AND STEEL INDUSTRY CURRENTLY IN SLUMP DUE BOTH FALLING EXPORTS AND SLUGGISH DOMESTIC DEMAND. EXPORT PRICES DOWN ON ORDER 50 PERCENT FROM 1974 PEAKS. CURRINT ESTIMATES ARE THAT INDUSTRY WILL PROBABLY FALL 15 TO 20 PERCENT SHORT OF 1975 PRODUCTION TARGETS, WITH EXPORTS DOWN BY HALF ON VALUE BASIS. END SUMMARY

1. INFORMATION BELOW PROVIDED IN RESPONSE REF A.

2. GENERAL SITUATION: 1974 SAW SIGNIFICANT EXPANSION IN KOREAN IRON AND STEEL PRODUCTION, WITH EXPORT DEMAND PARTICULARLY STRONG. HOWEVER, NEW EXPORT ORDERS, ESPECIALLY FROM U.S., FELL ABRUPTLY IN FINAL FEW MONTHS OF YEAR AND EXPORT PRICES HAVE SINCE DROPPED ON ORDER OF 50 PERCENT. SITUATION NOW COMPOUNDED BY SLUGGISH DOMESTIC DEMAND AFTER BRIEF SURGE IN DEC. AND
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JANUARY AND INDUSTRY CURRENTLY IN SLUMP. WHILE OFFICIAL TARGETS CALL FOR INCREASES OF 10 TO 15 PERCENT IN TOTAL DEMAND AND 17 TO 19 PERCENT IN DOMESTIC PRODUCTION, MIN. OF COMMERCE AND INDUSTRY (MCI) OFFICIALS INFORMALLY ESTIMATE THAT PERFORMANCE

WILL PROBABLY FALL 15 TO 20 PERCENT SHORT OF TARGETS, I.E., PRODUCTION AND DEMAND LIKELY TO BE CLOSE TO OR MODERATELY BELOW 1974 LEVELS. EXPORTS, IN LARGE PART BECAUSE OF STEEP PRICE DECLINE, EXPECTED TO BE ONLY HALF OF 1974 EXPORTS OF $450 MILLION ON VALUE BASIS.

3. 1974 PRODUCTION AND DEMAND.
TABLES BELOW SHOW 1974 PRODUCTION, IMPORTS, AND TOTAL DEMAND, BOTH DOMESTIC AND EXPORT, FOR FINISHED PRODUCTS AND FOR CRUDE AND INTERMEDIATE MATERIALS:

A. FINISHED PRODUCTS (000 MT): KEY FOR COLUMN IS:

(1) SHAPES, BARS AND RAILS; (2) FLAT ROLLED PRODUCTS; (3) CASTING PRODUCTS; (4) OTHERS; (5) TOTAL.

	(1)	(2)	(3)	(4).	(5)
TOTAL DEMAND	1,342	2,404	198	43	3,987
DOM. PROD.	1,083	2,000	193	9	3,285
IMPORT	259	404	5	34	702
DOMESTIC DEMAND	1,121	1,397	157	39	2,714
DOM. PROD.	928	997	152	5	2,083
IMPORT	192	400	5	34	631
EXPORT	221	1,007	41	4	1,273
DOM. PROD.	154	1,003	41	4	1,202
IMPORT	66	4	--	--	71

B. CRUDE AND INTERMEDIATE MATERIALS (000 MT): KEY FOR COLUMNS IS: (1) PIG IRON; (2) SCRAP; (3) BILLET; (4) SLAB; (5) HOT COIL; (6) STEEL INGOTS; (7) STEEL ALLOYS.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL DEMAND	1,113	1,372	1,150	977	1,628	1,933	38
DOM. PROD.	1,023	252	1,131	903	646	1,929	34
IMPORT	90	1,119	19	74	982	4	4

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)
DOMESTIC CON.	1,109	1,166	984	689	826	1,758	33
DOM. PROD.	1,019	251	964	616	525	1,754	30
IMPORT	90	915	19	73	301	4	3
USE IN EXPORTS	3	206	166	287	802	175	5
DOM. PROD.	3	1	166	287	122	175	5
IMPORT	---	205	---	---	680	---	--

4. 1975 PRODUCTION AND DEMAND: THERE NO SPECIFIC, REVISED ESTIMATES AVAILABLE. WITH SOME MINOR EXCEPTIONS, OFFICIAL PRODUCTION, IMPORT AND DEMAND PROJECTIONS SAME AS PRELIMINARY PROJECTIONS FURNISHED REF B. FOR BOTH FINISHED PRODUCTS AND CRUDE

AND INTERMEDIATE MATERIALS (BREAKOUT OF DEMAND BETWEEN DOMESTIC CONSUPTION AND EXPORTS FOR THOSE PROJECTIONS NOT AVAILABLE). IN GENERAL TERMS, MCI TECHNICAL STAFF NOW EXPECTING ACTUAL 1975 PERFORMANCE TO FALL ABOUT 15 TO 20 PERCENT SHORT OF THOSE OFFICIAL TARGETS. SHILE SLUMPING EXPORT DEMAND BIGGEST FACTOR, DOMESTIC DEMAND ALSO SLUGGISH FOR MOST PRODUCTS. DECLINE EXPECTED TO BE SHARPEST IN PRODUCTION OF FLAT ROLLED PRODUCTS, WHICH ARE MAJOR EXPORT ITEMS. HOWEVER, IN ABSENCE MORE PRECISE DATA WOULD SUGGEST REDUCING FIGURES SUPPLIED REF B BY ABOUT 15 TO 20 PERCENT ACROSS BOARD FOR ROUGH APPROXIMATION OF DEMAND AND SUPPLY OUTLOOK FOR 1975.

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INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

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5. EXPORTS: U.S. IS BY FAR MOST IMPORTANT MARKET ACCOUNTING FOR ABOUT 65 PERCENT OF TOTAL KOREAN IRON AND STEEL EXPORTS IN 1974. THERE GREAT DIVERSITY IN MARKETS FOR BALANCE OF EXPORTS. TOTAL 1974 EXPORTS ON BASIS CUSTOMS DATA (WHICH DIFFER SLIGHTLY FROM MCI EXPORT DEMAND FIGURES ABOVE) WERE 1,343,118 METRIC TONS WITH F.O.B. VALUE OF $450 MILLION. TABLE BELOW SHOWS 1974 EXPORTS TO U.S. BY MAJOR CATEGORIES:

ITEM	VALUE ($000)		VOLUME (METRIC TONS)	
	1973	1974	1973	1974
COILS	2,148	32,824	539	108,324
BARS, RODS, ANGLES				
SHAPES & SECTIONS	1,933	44,592	17,156	131,232
PLATES & SHEETS	39,365	131,775	254,022	410,007
TUBES & PIPES	16,619	69,985	74,378	181,504
OTHERS	1,732	9,823	5,057	25,643

TOTAL	61,797	288,999	351,152	856,710

6. EXPORTS TO U.S. WHICH WERE UP 367 PERCENT IN VALUE AND 145 PERCENT IN VOLUME, ROSE RAPIDLY THROUGH FIRST 9 MONTHS

OF YEAR, PEAKING AT ABOUT LEVEL OF $50 MILLION PER MONTH IN SEPTEMBER-OCTOBER. HOWEVER, DEMAND FELL ABRUPTLY THEREAFTER. NEW ORDERS HAVE BEEN RUNNING AT RATE OF ABOUT $5 TO $7 MILLION PER MONTH SINCE NOVEMBER 1974 AND ACTUAL SHIPMENTS DROPPED TO $ 5 MILLION FOR MONTH OF MARCH 1975. WITH EXCEPTION MIDDLE EAST, ALL KOREAN MARKETS APPARENTLY WEAK BUT DROP IN U.S. MARKET IS DEEPEST OF ALL. SOME INDUSTRY SOURCES SAY THEY ARE BEGINNING GET INQUIRIES AGAIN AND ANTICIPATE POSSIBLE IMPROVEMENT BY JUNE OR JULY. HOWEVER, MCI NOW EXPECTING OVERALL 1975 IRON AND STEEL EXPORTS TO BE DOWN ABOUT 50 PERCENT ON VALUE BASIS, WITH SHARPEST DECLINE IN EXPORTS TO U.S. PRICE DECLINES ARE MAJOR FACTOR IN THE DECREASE IN VALUE, WITH DROP IN VOLUME EXPECTED TO BE MUCH SMALLER, BUT VOLUME OF EXPORTS TO U.S., PARTICULARLY OF FLAT ROLLED PRODUCTS, DEFINITELY EXPECTED BE BELOW 1974 LEVELS. TABLE BELOW SHOWS APRIL 1975 EXPORT FOB PRICES FOR FOUR MAJOR PRODUCTS AS COMPARED 1974 PEAK PRICES:

	74 PEAK $ PER MIT	APRIL 1975 $ PER MIT
STEEL PLATES	400 (JUNE-JULY)	190-200
HOT-ROLLED COILS	375 (JUNE-JULY)	160-180
REFINFORCING BAR	360 (SEP-OCT)	200
ANGLES	380-400 (SEP-OCT)	210

7. CAPACITY UTILIZATION: UNABLE OBTAIN ANY MEANINGFUL DATA ON THIS SUBJECT AS YET. CRUDE STEEL PRODUCTION CAPACITY ROSE SLIGHTLY IN 1974 TO 2,253,000 METRIC TONS AND IS PROJECTED TO INCREASE TO 2,624,000 IN 1975. REF C REPORTED ROKG DECISION TO POSTPONE SECOND INTEGRATED STEEL MILL PROJECT UNTIL 1977 AND DISCUSSED ON-GOING PLANS FOR EXPANSION OF INTEGRATED IRON AND STEEL MILL AT POHANG. EMBASSY HAS HEARD SEVERAL RECENT REPORTS OF INDEPENDENT STEEL PRODUCERS DELAYING CURRENT EXPANSION PLANS.

8. INVENTORIES: INVENTORY DATA IS SKETCHY. HOWEVER, PUBLISHED MCI FIGURES FOR END 1974 SHOW INVENTORIES OF STEEL INGOTS AND SEMI-FINISHED STEEL AS 32,400 METRIC TONS, DOWN 22 PERCENT FROM END 1973 WITH DECEMBER 1974 INVENTORIES OF MAJOR FINISHED PRODUCTS AT 341,200 METRIC TONS, UP 14

PERCENT FROM YEAR EARLIER. MCI CLAIMS HAVE NO MORE CURRENT
DATA.

9. SPECIALTY STEELS: KOREA DOES NOT PRODUCE SPECIALTY
STEELS AT PRESENT TIME.
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Message Attributes

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